

Mobile Services Review

Public Forum, Sydney

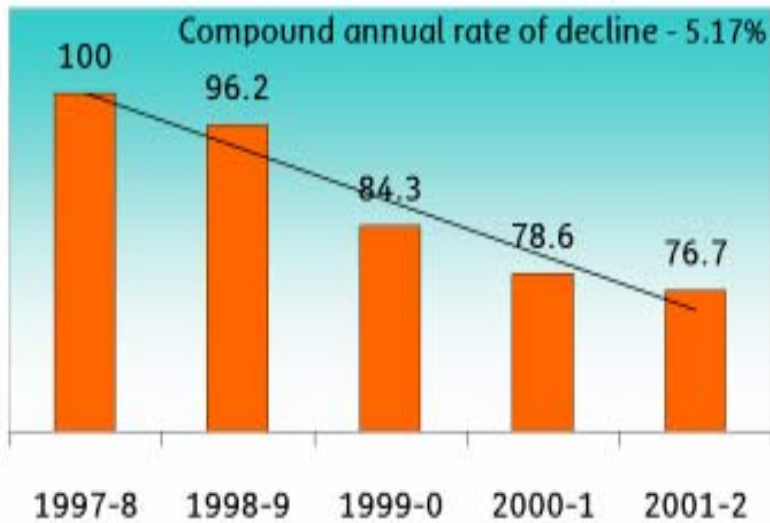
11 September 2003

Telstra Regulatory – Mitchell Landrigan

**Should the domestic
GSM and CDMA terminating
access service declaration be
broadened to include
termination of calls on 3G
networks?**

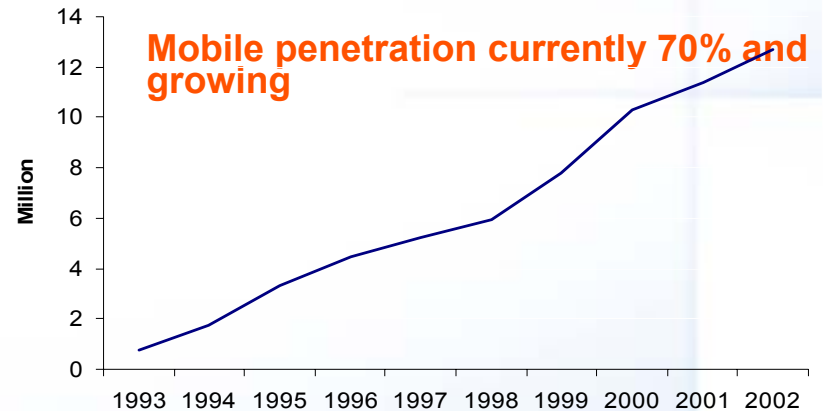
There is effective competition in the mobile services market

Retail mobile services prices



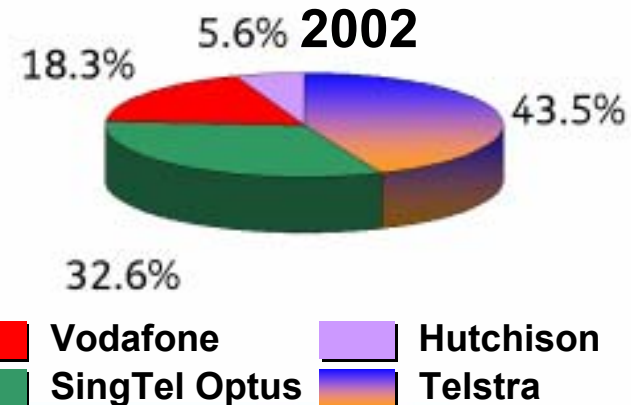
Source: ACCC: "Changes in prices for telecommunication services 2001-02"

Take-up of mobile services



Source: BIS Shrapnel (2001), ACA (2002) *Telecommunications Performance Report 2001-02*.

Revenue market shares FY



So where is the market failure?

Mobile Number
Portability
September 2001

13 mobile service providers compete aggressively, eg. **handset subsidies** and **bundling**

New technologies, entrants, content-rich services

Experience Vodafone live!

 *vodafone live!*



Industry churn 4% per month (2001/2, ACCC)

“Future-proof” networks, not regulation

The telecommunications marketplace is **dynamic**, but inappropriate regulation can impede the development of new technologies.

- **Market power is eroded by technological progress and product innovation.**
- **Regulation of perceived “market failure”**
 - becomes inappropriate as substitutes emerge and proliferate;
 - can quickly become outdated and “freeze in” a particular industry structure
- **Further investment is uncertain and will depend on investor confidence on the regulatory settings.**

Overseas regulatory approaches to 3G



- 3G services are new and innovative, and regulatory controls would be disproportionate while the market is developing.



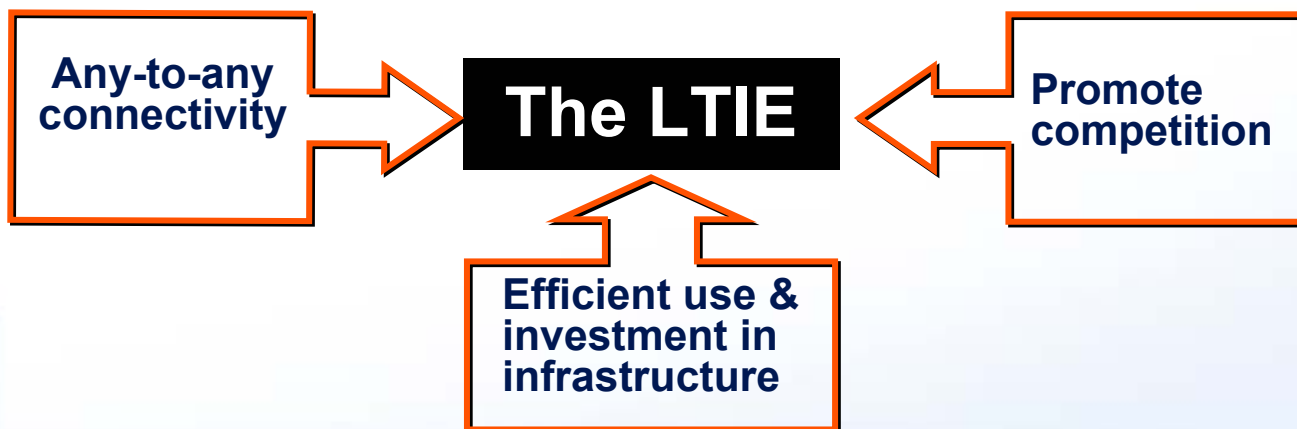
- US still focussed on accommodating spectrum management issues for 3G

Regulation of 3G services is not on the radar of overseas regulatory authorities.

What would be the impact of any such regulation on investment in 3G networks?

Key considerations

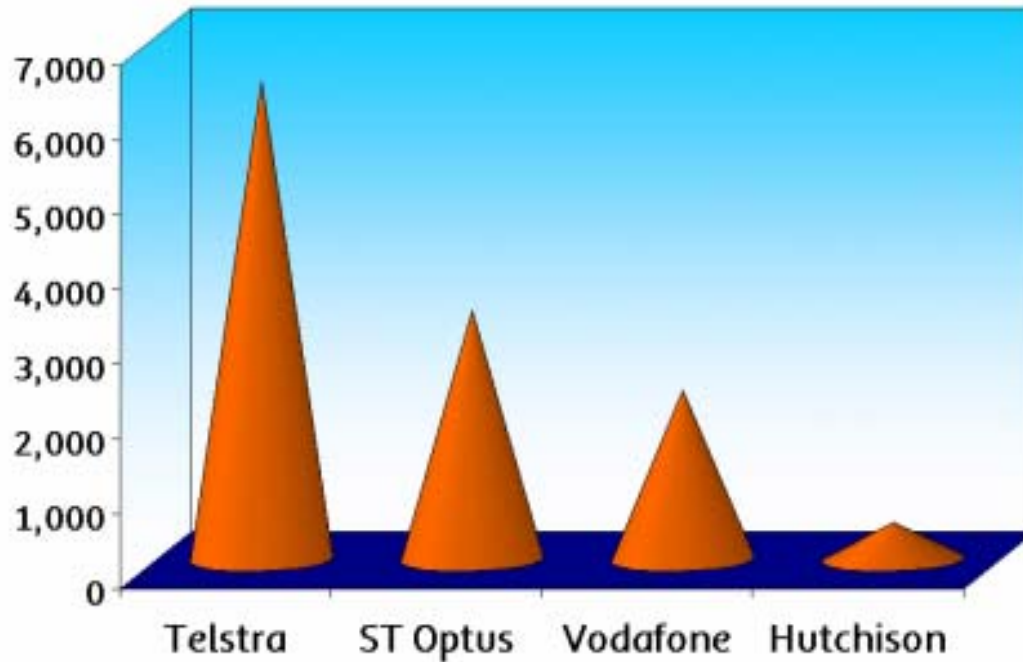
Mobile operators maximise returns from supporting the 3 arms of the LTIE



- **What tangible benefits have been achieved by the September 2002 decision to make the GSM declaration mobile technology-neutral with respect to CDMA?**
- **If these are still unproven, why should the declaration be varied to include termination on 3G networks?**

2G Mobile network build in Australia

GSM & CDMA Network Base Stations, June 2003

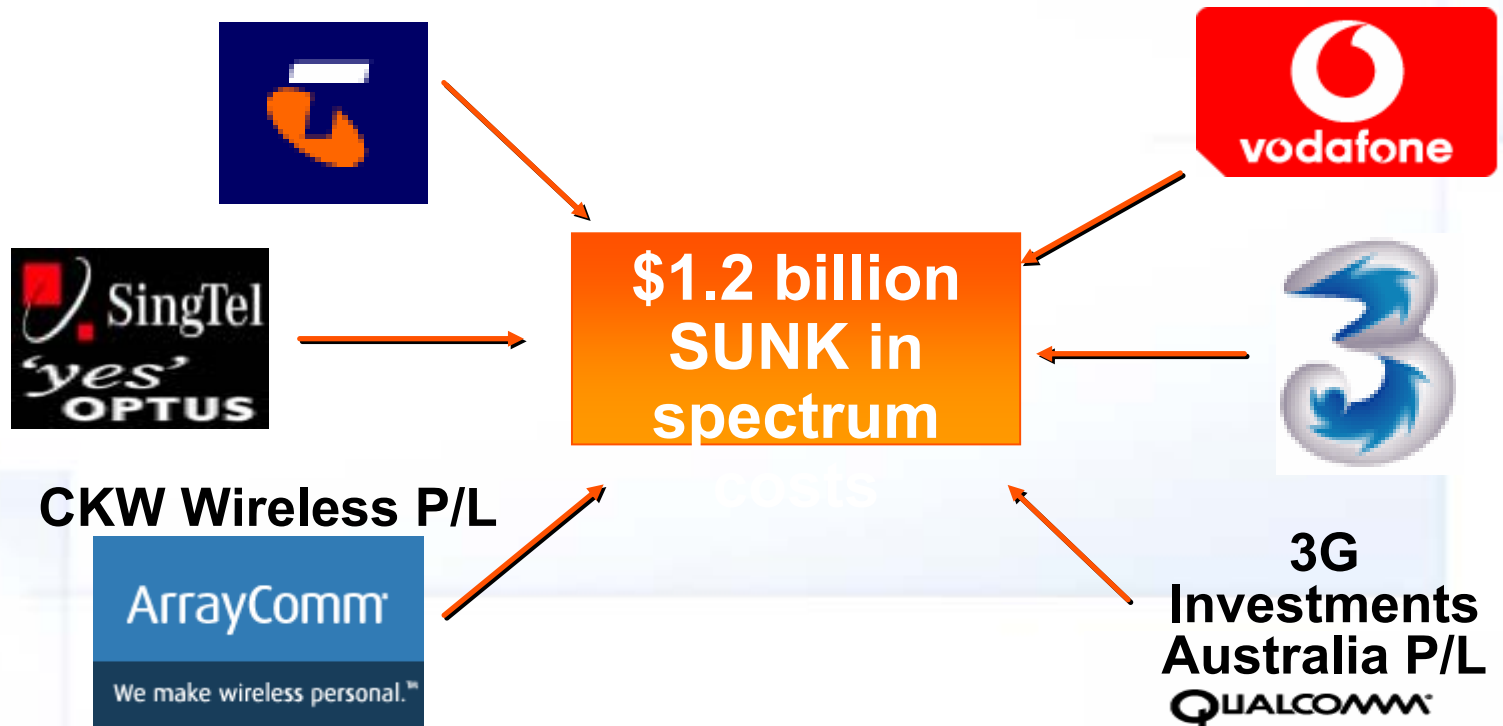


The 4 mobile carriers have spent approximately **\$8 billion** so far on building **12,500 mobile base stations** across Australia.

Source: Media reports, Carrier websites, Telstra internal estimates

Under a light-handed regulatory framework, mobile networks have been deployed at great cost, with long investment horizons.

What about investment in 3G?



Spectrum acquisition costs have been relatively low in Australia, but this in itself does not justify intrusive regulation.

What about 3G networks?



**\$3 billion
commitment**

CKW Wireless P/L



**currently testing
high-speed
mobile
broadband
deployed in
Sydney**

**“committed to
spending
hundreds
of millions”
in rollout
by 2005**



**3G
Investments
Australia P/L**



What implications does the declaration of mobile termination on 3G networks have for regulation of data services?

Consider the extent of 3G services

Established voice joined by voice recognition applications, less thumbing and faster response, mobile ringtones and MP3, activate and access your own personal

VOICE

DATA

Email, SMS, stock portfolio, news, stock alerts, personal alerts about birthdays, weddings, meetings, location based services and m-commerce effecting

MMS, Colour TV, Internet, infotainment, Sony Xbox & Sega online games, animation and digital pictures, Sports, Digital Images of family or friends, whether near or far,

VIDEO

Smartphones

Unanswered questions

- **What is meant by “regulation of 3G”?**
 - **Access?**
 - **Carriage?**
 - **Content?**
- **Should regulatory principles for 2G voice apply to 3G data/video?**
 - **What is the competition issue?**
 - **What is the connectivity issue?**
 - **What is the efficiency issue?**
 - ***What is the bottleneck service?***